International Journal of Business
Management & Research (IJBMR)
ISSN(P): 2249-6920; ISSN(E): 2249-8036
Vol. 4, Issue 2, Apr 2014, 51-64

CORPORATE GOVERNANCE PRACTICES IN COMMERCIAL BANKS: EVIDENCE FROM INDIA

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ABSTRACT

Corporate Governance addresses the issues facing Boards of Directors. In this view, the main responsibility of governing a company is upon the Board of Directors and, therefore, attention must be paid to their composition, roles and responsibilities. They have to perform crucial governance functions. The presence of independent Directors on the Board, capable of challenging the decisions of the management, is widely considered as a means of protecting the interests of shareholders and other stakeholders. In this paper, an attempt has been made to show the Corporate Governance Practices of Commercial banks in India which are classified into Public Sector Banks and Private Sector Banks. Private Sector banks are also classified into Old Private Sector Banks and New Private Sector Banks in the study. Corporate Governance Practices of banks are assessed with the help of four parameters namely, composition of Board members, number of Board meetings conducted in a year, Corporate Governance practices related to Independent Directors and appointment of Independent Directors. Moreover, the study empirically tests the difference in the Corporate Governance Practices between the Public Sector banks and Private Sectors banks; and, also between the Old Private Sector Banks and New Private Sector Banks in India.

KEYWORDS: Corporate Governance (C.G.), Board of Directors (BoDs), Board Composition, Board Meetings, Independent Directors, Public Sector Banks and Private Sector Banks

INTRODUCTION

In several parts of the world financial institutions have faced challenging times in the recent past. The most affected have been banks which have suffered losses and even closures. A major cause of the problem has been traced to low quality assets in their portfolios that turned toxic which eroded their capital and weakened their ability to perform their intermediation function. The unpalatable outcome has been loss of confidence in the banking system with dire consequences for economic management. Without doubt, there has been a failure of corporate governance. According to Cocris & Ungureanu (2007) banks are special and their corporate governance systems are of major importance because banks have a critical position in the development of economies due to their major role in running the financial system. The banking industry is unique because it is simultaneously consolidating and diversifying. There is a significant public dimension to the banking firms; bank managers function in the light of two distinct sets of interests: one is the private interest, internal to the firm, and the other is the public interest, external to the firm. The authors report that sound corporate governance system of banks increases the efficiency of firms and also enhances the credibility of the banking

industry, which has positive economic effects and countries that adopt regulation on forcing the disclosure of accurate, comparable information about banks tend to have better developed banks. Corporate Governance is concerned with the functioning of Board of Directors (BODs) –its structure, styles, process, their relationships and roles, activities etc. Therefore, Boards of directors (BODs) is considered as a crucial part of the Corporate Governance. Directors are appointed by the shareholders of the company, who set overall policy for the company, and the board appoints one or more of them as managing directors/whole time directors/ executive directors to be approved by the shareholders. They are a link between the people who provide capital (the shareholders) and the people who use that capital to create value (the managers).The board's primary role is to monitor management on behalf of the shareholders. Board of directors is the important element of Corporate Governance. Corporate Governance addresses the issues facing Boards of Directors. In this view, the main responsibility of governing a company is upon the Board of Directors and, therefore, attention must be paid to their roles and responsibilities. The roles of the Board of Directors and shareholders are interactive and, therefore, the quality of governance depends upon the level of interface set up by them. The boards are accountable in many ways to the shareholders and stakeholders in a company. The directors are required to attain a balance between competing interests of shareholders, customers, lenders, promoters and directors. Preferably, the board should be the heart and soul of a company. Whether or not, the company grows or declines, depends upon the sense of purpose and direction, the values, the will to generate stakeholders' satisfaction and the drive to achieve them.

Section 2(13) of the Indian Companies Act 1956 defines a director as follows, "A director includes any person occupying the position of director by whatever name called. The important factor to determine whether a person is or is not a director is to refer to the nature of the office and its duties. It does not matter by what name he is called. If he performs the functions of a director, he would be termed as a director in the eyes of the law, even though he may be named differently. A director may, therefore, be defined as a person having control over the direction, conduct, management or superintendence of the affairs of a company. Again, any person in accordance with whose directions or instructions, the board of directors of a company is accustomed to act is deemed to be a director of the company." Section 2(6) of the Indian Companies Act 1956 states that directors are collectively referred to as "Board of Directors" or simply the "Board". A director may be a full time working director, namely managing or whole time director covered by a service contract. Managing and whole time directors are in charge of the day-to-day conduct of the affairs of a company and are together with other team members collectively known as "management" of the company. A company may also have non-executive directors who do not have anything to do with the day-to-day management of the company. They may attend board meetings and meetings of committees of the board in which they are members.

As per clause 49 of the Securities and Exchange Board of India (SEBI)'s listing agreement, there is one more category of directors called Independent Directors. An Independent Director is defined as a "non-executive director who is free from any business or other relationship which could materially interfere with the exercise of his independent judgment. Another category of directors recognized in certain provisions of the Indian Companies Act 1956 are "Shadow Directors". These so called "deemed directors" acquire their status by virtue of their giving instructions (other than professional advices) according to which "appointed" directors are accustomed to act. Board of directors is there for governance of the company and it performs the strategy making role. Hence, it should have a right mix of outsiders and people from the management so that people who execute the decisions have a say in decision making in parallel ensuring that the stakeholder's interests are protected. Clause 49 of the Securities and Exchange Board of India's (SEBI) listing agreement requires that the board of directors of the company shall have an optimum combination of executive and

non-executive directors with not less than fifty percent of the board of directors comprising of non-executive directors and further that where the Chairman is a non-executive director, at least one-third of board should comprise of independent directors and in case he is an executive director, at least half of board should comprise of independent directors. The said Clause also sets out the principles for determining "independent director". The said Clause also provides that nominee directors appointed by an investing or lending institution shall be deemed to be independent directors. The size of the Board should neither be too small nor too big. Experience indicates that smaller boards allow for real strategic discussion. At the same time, larger Boards provide the benefit of diverse experience and viewpoints. The board should strike a balance of executive and non-executive directors. Every board should consider whether its size, diversity and demographics make it effective. Diversity applies to academic qualifications, technical expertise, relevant industry knowledge, experience, nationality, age and sex. Diversity adds value, and adds to the bottom line. Gender diversity is an important aspect of board diversity and companies should have women representation on the Boards. Boards need to be regularly refreshed with new expertise, energy and experience. Independent directors should not have long tenure. A balance should be sought between continuity in board membership, subject to performance and eligibility for re-election and the sourcing of new ideas through the introduction of new board members. Every Company should frame a Board Renewal Policy of Independent Directors to facilitate their independence. The policy may provide for maximum number of years a person could serve on the Board as an Independent Director. The role and office of the Chairman and CEO should be separated to promote balance of power and to prevent unfettered decision making power with a single individual. Further, there should be a clear demarcation of the role and responsibilities of Chairman and Managing Director/Chief Executive Officer (CEO).

LITERATURE REVIEW

Ungureanu (2008) examines key factors that contribute to ensuring an effective regulatory and supervisory framework and she further analyses the structure and scope of bank supervision with reference to Europe. The same author in a separate study (2008) emphasizing the benefits and limits of regulations and supervision on banks' corporate governance shows that current trend will change the industry's corporate governance, by determining banks' boards to follow certain best practices/principles rather than comply with enforced regulation by states. Similarly, Chahine and Safieddine (2009) report that bank performance is positively related to board size and thus identifies a quadratic relationship between bank performance and board independence and provide new insights into the effect of corporate governance in emerging markets after examining the banking system in Lebanon. By taking a sample of 92 Spanish firms, which involved the analysis of 276 observations for the time period 2004-06, Maria and Sanchez (2009) determine the effectiveness of Spanish corporate governance by analyzing the impact of five board characteristics on technical efficiency viz., board size, board independence, board reputation, board diversity and board activity. The results of this empirical study shows that business technical efficiency increases with a heterogeneous boards, with a limited number of directorships per director and with a limited activity specified in a reduced number of annual board meetings with a higher number of specialized committees. Spanish data as per this research study is quite interesting because boards are dominated by executive directors, and as a result they are able to pursue their own interests by limiting the effectiveness of monitoring resources. The study contends that in relation to efficiency, a diverse board may constitute a better monitor of managers, because board diversity increases board independence. Similarly, the establishment of board committees is a means to channel the functions of a board into segregated and specialized groups of directors that will focus on specific subject of the organization. Thus, a greater number of committees would imply greater involvement of the board members,

which would lead to greater effectiveness of the board and further when boards develop hierarchal structures, several agency problems such as free-riding and co-ordinations costs have been alleviated. Bebchuk and Weisbach (2009) elucidate that the public and private decision-makers suggest that the only way through which we can make boards work better is to have independent boards. Directors' independence is associated with improved decisions with respect to CEO turnover, executive compensation decisions, and the incidence of fraud, and on the opportunistic timing of stock option grants. The research throws light on Executive compensation and affirms that public firms are managed by executives, not directors or shareholders; as a result Executives' decisions are also affected by the incentives provided to them by their executive compensation arrangements. Consequently, under the optimal contracting view, the design of pay arrangements is presumed to be efficient. Adams, *et al* (2009) inform that due to increased pressure from institutional shareholders, more government regulations, greater threats of litigation, and new exchange requirements, boards have become more independent and diligent. Hence, boards are more willing to monitor, which raises the possibility they hire externally for the CEO position; and more monitoring directly raises the chance of CEO dismissal, less job security and in response of that CEOs work harder and thus, demand greater pay in compensation. Hence, a consequence of more independent boards over time could be upward pressure on CEO compensation. Further, these authors indicate that the role of board of directors has been the topic of research these days particularly due to the well-publicized failures and subsequent regulatory changes. The study states that "directors serve as a source of advice and counsel, serve as some sort of discipline, and act in crisis situations."As per the directors view point, some believe that they have multifarious jobs to do in the organization like they set strategy, corporate policies, overall direction, mission, vision; while others believe that their job is to "oversee, monitor top management, CEO"; "succession, hiring/firing CEO and top management"; or serving as a "watchdog for shareholders, dividends."Consequently, boards have become larger, more independent, have more committees, meet more often, and generally have more responsibility and risk. But, authors caution that directors with more directorships are more likely to have attendance problems at board meetings, which suggests that busy directors spend less time at each firm and as such additional directorships may hurt firm performance. Further having bankers on boards can be a double-edged sword as bankers can improve a firm's access to capital market, but sometimes this improved access works to the benefit of the bank rather than the firm doing the borrowing.

Switzer, and Yu (2011) empirically test the hypothesis that the closer alignment of board of director members' interests with shareholder interests improves the economic profitability of firms. The hypothesis is tested by examining the relationship between the economic value added of firms, reflected by the spread between operating earnings in excess of the cost of capital (ER) and firm grades based on the Clarkson Center for Business Ethics and Board Effectiveness (CC (BE2)) Index of Shareholder Confidence for Canadian firms from 2002-2006.The authors find that high shareholder confidence index values are generally associated with higher ER, although the relationship is not monotonic for higher graded boards. This suggests that while highly graded boards are generally beneficial, there may be diminishing returns to efforts to design "optimal" boards in the sense of their alignment with shareholder interests. The new rules of NYSE for corporate governance require the audit committee to discuss and review the firm's risk assessment and strategies; further, additional requirements are also put for the composition and the financial knowledge of the directors sitting on the board and on the audit committee. Dionne and Triki (2005) in the research paper investigate whether these new rules as well as those set by Sarbanes Oxley act lead to hedging decisions that are of more benefit to shareholders. The goal of this research was to study the effect of the board and the audit committee independence and financial knowledge on the firm's risk management activity. The authors explore that the new requirements concerning the audit committee size and

independence motivate firms to seek more hedging, whereas the requirement of a majority of unrelated directors on the board has no effect on the corporate risk management activity. The authors document that financially educated directors seem to encourage corporate hedging while financially active directors and those with an accounting background play no active role in such policy. The empirical findings also show that having directors with a university education on the board is an important determinant of the hedging level.

Al-Mudhaki and Joshi (2004) examine the composition, focus and functions of audit committees, the effects of meetings and the criteria used in the selection of members by Indian listed companies. The study concludes that the concept of an Audit Committee is not new in India but their formation is slow and their composition lacks independence.

The subject of Corporate Governance has attracted worldwide attention and has been studied widely in other countries. In Indian corporate, only few studies have been conducted; and no such study has been conducted in the Indian banking sector. It is against this back drop that the present study has been undertaken to fill up this gap and make a modest contribution in the field. So, the need is felt to study the Corporate Governance Practices in the Indian Commercial banks.

OBJECTIVES OF THE STUDY

The research aims at studying the following attributes of Corporate Governance Practices in Indian Commercial banking sector: -

- To examine the composition of board members for the Corporate Governance of the Indian commercial banks;
- To assess the number of board meetings conducted in a year in the select commercial banks of the India; and,
- To evaluate the role of independent directors for the corporate Governance of the Indian commercial banks.

HYPOTHESES OF THE STUDY

- **H_0:** There is no significant difference between the Corporate Governance Practices of Public Sector Banks and Private Sector Banks in India.

H_1: There is significant difference between the Corporate Governance Practices of Public Sector Banks and Private Sector Banks in India.

- **H_0:** There is no significant difference between the Corporate Governance Practices of Old Private Sector Banks and New Private Sector Banks in India.

H_1: There is significant difference between the Corporate Governance Practices of Old Private Sector Banks and New Private Sector Banks in India.

DATA BASE AND METHODOLOGY

The present study is empirical in nature that examines the Corporate Governance Practices in Indian commercial banks. In order to complete the study, data has been collected from both Primary as well as secondary sources. Secondary data are based on official records, annual reports, journals and books. The primary data are collected through well designed questionnaire which has been administered to the officers and managers of the banks concerned.

Questionnaire Design

This questionnaire used for the study aims at the Corporate Governance Practices of Indian commercial banks with the help of four constructs viz., Composition of board members, Frequency of board meetings, Corporate Governance Practices related to Independent Directors and Appointment of Independent Directors. In the questionnaire, there are Dichotomous, open ended as well as close ended type of questions. Close ended questions are measured with the help of 4 point Likert scale and the scores range from 1 = Never, 2 = Rarely, 3 = Sometimes and 4 = Often.

Universe of the Study and Sample Selection

The universe of the study consists of 96 Commercial Banks operating in India, out of which 27 are Public Sector Banks, 31 Private Sector Banks and 38 Foreign Banks. Initially, present study aimed to study Corporate Governance Practices in all the Commercial banks (96) in India and accordingly 96 questionnaires were delivered to all commercial banks through email and by personally visiting them. However, out of them, only 33 were returned, representing 20 Public Sector Banks and 13 Private sector Banks. Ironically, all foreign banks did not respond to the questionnaires on the pretext of secrecy. Thus, foreign banks are excluded from the study. Out of the total Private Sector Banks responded, 8 are Old Private Sector Banks and 5 are new Private Sector Banks. The total response rate found in the study is 34.4% as given in the exhibit 1.

Exhibit 1: Data Collection/ Sector-Vise Response Rate

Questionnaires	Public Sector Banks	Private Sector Banks	Foreign Banks	Total
Delivered	27	31	38	96
Collected	20	13	0	33
Response Rate	74.07%	41.94%	0	34.4%

Source: Data Collected in the year 2013 by the researchers

Thus, the sample of the study includes the following banks:

Public Sector Banks

Punjab National Bank, Canara Bank, United Bank of India, Union Bank of India, Punjab and Sind Bank, Bank of India, State Bank of India, Vijaya Bank, Indian Bank, Bank of Baroda, UCO Bank, Dena Bank, State Bank of Patiala, State Bank of Travancore, State Bank of Mysore, Corporation Bank, Allahabad Bank, Oriental Bank of Commerce, Andra Bank, Syndicate Bank.

Old Private Sector Banks

Federal Bank, Catholic Syrian Bank, Nainital Bank, Jammu & Kashmir Bank, ING Vysya Bank, Karnataka Bank, Dhanlaxmi Bank and City Union Bank.

New Private Sector Banks

Kotak Mahindra Bank, Yes Bank, Indus Ind Bank, Axis Bank, ICICI Bank.

STATISTICAL TOOLS AND TECHNIQUES USED TO ANALYSE THE DATA

The assessment of Corporate Governance Practices has been done with the help of following statistical tools and techniques:

- Average (Mean)
- Standard Deviation
- T- Test has been used for hypotheses testing

RESULTS AND DISCUSSIONS

The results of the study are discussed in the following heads:

- Composition of Board Members
- Frequency of Board meetings
- Corporate Governance practices related to Independent Directors
- Appointment of Independent Directors

Composition of Board Members

In this section, the study shows the persons included in the composition of Boards of banks viz. professional from RBI, labor recommended Directors, Officer of an affiliated company, Senior manager from a supplier or customer company, Professional from law/accounting/consulting firm. Table 1 shows that out of the total 20 selected Public Sector banks 19 banks' board comprises of major officer of RBI.As far as the total Private Sector banks are concerned, out of the sample 13 Private Sector banks selected as sample, only 12 banks Board comprises of the major officer from RBI and the remaining one bank don't have the same. On the same analogy, 19 Public Sector Banks board composition comprises of a labor representative or labor recommended director; yet, excluding only one. However, in the total Private Sector banks only 5 banks have a Labor recommended director and the remaining 8 banks don't have the same. Furthermore, all the banks should have two more directors i.e.

Officer of an affiliated company and Senior manager from a supplier or customer company and also the analysis of the table 1, depicts that only 8 Public Sector Banks have the same directors and the other 12 remaining Public sector Banks do not have the same. Similarly, out of the total 13 Private Sector Banks only 9 banks' board shows the presence of the same directors. Moreover, the table 1 reveals the presence of a director in the composition of board members from a law/accounting/consulting firm that provides professional services to the banks and out of the total 20 selected Public Sector Banks only 17 banks have the same director and the remaining 3 Public Sector banks do not have such a director in their composition of board members. Similarly, out of total 13 Private Sector Banks, 12 banks' board comprises of the same director.

Table 1: Composition of Board Members

S. No	Elements	Public Sector Banks (N = 20)		Old Private Sector Banks (N = 08)		New Private Sector Banks (N = 05)		Total Private Sector Banks (N = 13)	
		Yes	No	Yes	No	Yes	No	Yes	No
	Presence of persons on the board:								
1	Major officer of RBI	19	1	7	1	5	-	12	1
2	Labor recommended Director	19	1	4	4	1	4	5	8
3	Officer of an affiliated company	8	12	5	3	4	1	9	4
4	Senior manager from a supplier or customer company	8	12	4	4	5	-	9	4
5	Professional from law/accounting/consul ting firm	17	3	7	1	5	-	12	1
	Total : (Average) -	**14.2**	**5.8**	**5.4**	**2.6**	**4**	**1**	**7**	**3.6**

Source: Survey Conducted by the Researcher
Scale: Dichotomous Type of Questions

Frequency of Board Meeting

The construct has been used to study the frequency of board meetings conducted in a year. As per the clause 49 of the SEBI's listing agreement, it is mandatory for the listed companies to meet at least 4 times a year with a maximum time gap of four months between any two meetings. Table 2 reveals the frequency of board meetings conducted by Indian commercial banks in a year. As per the table, majority of the Public Sector banks conduct their board meetings above 10 times in a year, only 2 banks conduct board meetings below 4 times in a year and 2 banks each from Public sector banks meet 4 – 6 and 6 – 8 times in a year. However, as far as the Total Private Sector banks are concerned, majority of the banks' board meet below 4 times in a year, followed by 3 banks each from the total Private Sector banks that meet 4 – 6 times in a year and above 10 times in a year; out of the total Private sector banks only 1 bank conduct board meetings 8 – 10 times in a year. A further analysis of the table 2 depicts that majority of the Old Private Sector Banks conduct board meetings below 4 times in a year (3 banks) and above 10 times (3 banks) in a year. Comparatively, majority of the New Private Sector banks (2 banks) conduct their board meetings 4 – 6 times in a year.

Table 2: Frequency of Board Meetings

S. No	Elements	Public Sector Banks (N = 20)	Old Private Sector Banks (N = 08)	New Private Sector Banks (N = 05)	Total Private Sector Banks (N = 13)
	Number of Board meetings conducted in a year				
a	Below 4 in a year	2	3	1	4
b	4 – 6 in a year	2	1	2	3
c	6 – 8 in a year	-	1	1	2
d	8 – 10 in a year	2	-	1	1
e	Above 10 in a year	14	3	-	3

Source: Survey Conducted by the Researcher
Scale: Open-Ended Questions

Corporate Governance Practices Related to Independent Directors

In this section, the study shows that Independent Directors play an active role in various committees to be set up by a bank to ensure good governance. Table 3 shows the prevalence of some of the Corporate Governance Practices related to independent directors in all banks. Public sector Banks disagree ($\bar{x}$ = 2.10) on the opinion that Independent directors should meet without management to discuss corporate matters. On the same analogy, all the Private Sector Banks are of the same opinion with mean value ($\bar{x}$ = 2.15).Furthermore, both Public Sector Banks as well as Private Sector Banks also disagree that independent directors alter or add the board meeting agenda set by CEO as their values are $\bar{x}$ = 2.45 and $\bar{x}$ = 2.23 respectively. In addition, Public Sector Banks as well as Private Sector Banks that show mean values ($\bar{x}$ = 3.50 and $\bar{x}$ = 3.84) respectively somewhat agree on the opinion that independent directors participate actively in board discussions. Besides, Public Sector Banks neither agree, nor disagree that agenda items are disapproved at the board meetings by independent directors ($\bar{x}$ = 2.65); however, Private Sector Banks disagree on the same ($\bar{x}$ = 2.15).Likewise, Public Sector Banks somewhat agree ($\bar{x}$ = 3.50) that individual directors' positions on board meeting agendas should be recorded in minutes. In the same way, Private Sector Banks with mean value ($\bar{x}$ = 3.77) are of the same opinion. A further analysis of the table 3 reveals that there is no significant between the Old Private Sector Banks and New Private Sector Banks in respect of Corporate Governance Practices related to independent directors as their average mean values are to some extent similar $\bar{x}$ = 2.92 and $\bar{x}$ = 2.68 respectively for the same.

Appointment of Independent Directors

Independent director are appointed for a fixed period of time and after the expiry of the time he/she has to be replaced with a new one. This section shows the tenure of Independent directors in a bank. Table 4 reveals the tenure of independent directors in Indian commercial banks. As per the table, majority of the Public Sector Banks i.e. 15 banks appoint independent directors for 1 – 3 years, followed by 3 Public Sector Banks that appoint their independent directors for 4 – 6 years; only 1 Public Sector Bank appoints the same for 7 – 9 years and 1 bank out of the 20 selected Public Sector Banks have not responded on the same. Correspondingly, 9 Private Sector Banks out of the total 13 selected Private Sector Banks appoint independent director for 1 – 3 years, however, other 4 Private Sector banks have not responded on the same. A further analysis of the table 4 shows that majority of both old Private Sector Banks as well new Private Sector Banks appoints their independent directors for 1 – 3 years.

Table 3: Corporate Governance Practices Related to Independent Directors

S. No	Elements	Public Sector Banks (N = 20)		Old Private Sector Banks (N = 08)		New Private Sector Banks (N = 05)		Total Private Sector Banks (N = 13)	
		Mean	St. Dev.	Mean	St. Dev.	Mean	St. Dev.	Mean	St. Dev.
	Prevalence of the following practices:								
1	Independent directors meeting without mgt. to discuss corporate matters	2.100	1.021	2.125	1.126	2.200	1.095	2.154	1.068
2	Independent directors altering or adding the board meeting agenda set by CEO	2.450	0.945	2.500	0.926	1.800	0.837	2.231	0.927

Table 3: Contd.,

3	Independent directors participating actively in board discussions	3.500	0.889	3.875	0.354	3.800	0.447	3.846	0.376
4	Agenda items disapproved at the board meetings by independent directors	2.650	0.988	2.375	0.916	1.800	0.837	2.154	0.899
5	Individual directors' positions on board meeting agendas recorded in minutes	3.500	0.827	3.750	0.463	3.800	0.447	3.769	0.439
	Total: (Average)	**2.840**	**0.934**	**2.925**	**0.757**	**2.680**	**0.733**	**2.831**	**0.742**

Source: Survey conducted by the Researcher
Scale: 4 point Likert Scale with responses 1(Never), 2 (Rarely), 3(sometimes), and 4 (Often)

Table 4: Appointment of Independent Directors

S. No.	Elements	Public Sector Banks (N = 20)	Old Private Sector Banks (N = 08)	New Private Sector Banks (N = 05)	Total Private Sector Banks (N = 13)
	Number of years:				
1	1 – 3	15	5	4	9
2	4 – 6	3	-	-	-
3	7 – 9	1	-	-	-
4	Above 9	-	-	-	-
5	No response	1	3	1	4

Source: Survey conducted by the researcher.
Scale: Open-Ended Questions

Hypotheses Testing

The two hypotheses that were formulated have been tested as follows: -

- **H_0**: There is no significant difference between the Corporate Governance Practices of Public Sector Banks and Private Sector Banks in India.
- **H_1**: There is significant difference between the Corporate Governance Practices of Public Sector Banks and Private Sector Banks in India.

This hypothesis has been tested and the results are given in Tables 5 and 5(A).

Table 5: Corporate Governance Practices Related to Independent Directors

S. No.	Elements	Public Sector Banks (N = 20)		Private Sector Banks (N = 13)		P - Value	T - Value
		Mean	St. Dev.	Mean	St. Dev.		
	Prevalence of the following practices:						
1	Independent directors meeting without mgt. to discuss corporate matters	2.100	1.021	2.154	1.068	0.887	-0.144
2	Independent directors altering or adding the board meeting agenda set by CEO	2.450	0.945	2.231	0.927	0.516	0.659
3	Independent directors participating actively in board discussions	3.500	0.889	3.846	0.376	0.134	-1.543

Table 5: Contd.,

4	Agenda items disapproved at the board meetings by independent directors	2.650	0.988	2.154	0.899	0.148	1.490
5	Individual directors' positions on board meeting agendas recorded in minutes	3.500	0.827	3.769	0.439	0.233	-1.216
	Total: (Average)	**2.840**	**0.934**	**2.831**	**0.742**	**0.986**	**0.019**

Source: Survey Conducted by the Researcher

Table 5(A): Independent Samples Test

T-Test for Equality of Means					
T	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
				Lower	Upper
0.019	0.986	0.009	0.489	-1.141	1.159

Source: Survey Conducted by the Researcher

As per the Table 5 and Table 5 (A), H_0 is two sided, a two tailed t – test applied for independent samples is used for determining the rejection region at 5% significance level. At 95% confidence interval of the difference, the lower region is -1.141 and upper region is 1.159 with degrees of freedom 7.216 as equal variances have not been assumed. If P value < -1.141 or > 1.159, the null hypothesis will be rejected. Since the P value is 0.986 which falls in the acceptance region and thus, the null hypothesis will be accepted and it may be concluded that there is no significant difference between the Corporate Governance Practices Related to Independent Directors of public Sector Banks and Private Sector Banks in India.

- **H_0:** There is no significant difference between the Corporate Governance Practices of Old Private Sector Banks and New Private Sector Banks in India.

H_1: There is significant difference between the Corporate Governance Practices of Old Private Sector Banks and New Private Sector Banks in India.

This hypothesis has been tested and the results are given in Tables 6 and 6(A).

Table 6: Corporate Governance Practices Related to Independent Directors

S. No.	Elements	Old Private Sector Banks (N = 08)		New Private Sector Banks (N = 05)		P - Value	T - Value
		Mean	St. Dev.	Mean	St. Dev.		
	Prevalence of the following practices:						
1	Independent directors meeting without mgt. to discuss corporate matters	2.125	1.126	2.200	1.095	0.908	-0.119
2	Independent directors altering or adding the board meeting agenda set by CEO	2.500	0.926	1.800	0.837	0.192	1.408
3	Independent directors participating actively in board discussions	3.875	0.354	3.800	0.447	0.76	0.337
4	Agenda items disapproved at the board meetings by independent directors	2.375	0.916	1.800	0.837	0.274	1.162
5	Individual directors' positions on board meeting agendas recorded in minutes	3.750	0.463	3.800	0.447	0.851	-0.193
	Total: (Average)	**2.925**	**0.757**	**2.680**	**0.733**	**0.690**	**0.414**

Source: Survey Conducted by the Researcher

Table 6(A): Independent Samples Test

T-Test for Equality of Means					
T	Sig. (2-Tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
				Lower	Upper
0.414	0.690	0.245	0.591	-1.131	1.621

Source: Survey Conducted by the Researcher

As per the tables 6 and 6 (A), H_0 is two sided, hence, a two tailed t – test applied for independent samples is used for determining the rejection region at 5% significance level. At 95% confidence interval of the difference, the lower region is -1.131 and upper region is 1.621 with degrees of freedom 7.61 as equal variances have not been assumed. If P value < -1.131 or > 1.621, the null hypothesis will be rejected.

Since the P value is 0.690 which falls in the acceptance region and thus, the null hypothesis will be accepted and it may be concluded that there is no significant difference in the Corporate Governance Practices Related to Independent Directors between the Old Private Sector Banks and New Private Sector Banks in India.

CONCLUSIONS

Banks have an over whelming dominant position in developing the financial system of the country and are also extremely important for growth of the economy, that is why, the subject of corporate governance received an added attention in Indian banks. Boards of directors (BODs) are considered as a crucial part of the Corporate Governance as it performs the strategy making role. They are a link between the people who provide capital (the shareholders) and the people who use that capital to create value (the managers).Hence, it should have a right mix of outsiders and people from the management so that people who execute the decisions have a say in decision making in parallel ensuring that the stakeholder's interests are protected. The outcome of the present research in achieving the objectives of the research establishes some important facts: The first objective of the study is to examine the composition of board members in the commercial banks in India. The study indicated that there exists an appropriate mix of Board of Directors in all the commercial banks that provides a combination of professionalism, knowledge and experience required in the banking business.

Coming to the second objective, to assess the number of board meetings conducted in a year in the select commercial banks of the India. As per the clause 49 of the SEBI's Listing Agreement, the board shall meet at least four times a year with a maximum time gap of four months between any two meetings. Research shows that out of the 33 selected commercial banks only few banks viz. 2 banks representing from Public Sector banks and 4 banks representing from total Private Sector banks are not conducting the meetings as per Clause 49 of SEBI's listing agreement.

Now the last objective i.e. to evaluate the role of independent directors for the corporate Governance of the Indian commercial banks has been analyzed with the help of prevalence of various Corporate Governance Practices related to independent directors and their appointments in the banks. The study shows that both Public Sector Banks and Private Sector Banks need an improvement in this regard as these practices are not much prevalent in the commercial banks.

A further analysis of the study shows that there is no significant difference between the Corporate Governance Practices of Public Sector Banks and Private Sector Banks. As the Private Sector has also been classified into Old Private

Sector Banks and New Private Sector Banks in order to show the difference, it has also been found that there exists no significant difference between these two banking sectors as well.

ACKNOWLEDGEMENTS

We are grateful to the executive and non-Executive directors, managers and other officers of the Indian Commercial Banks, who contributed to the development of the study.

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